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Don’t blame Kansas woes on trickle-down

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Re: “Kansas a lesson in trickle-down economics,” Eugene Robinson, Other Views, Thursday:

Eugene Robinson says that cutting taxes never works. But there is plenty of evidence to the contrary.

After tax cuts in Kansas, “Growth rates lagged behind those in neighboring states and the nation as a whole,” wrote Robinson.

But Kansas is just one state, and this was over only a brief period (the tax cuts were enacted in 2012). Let’s look at some other evidence Robinson did not include.

A 2009 paper co-authored by Harvard economics professor Andrei Shleifer found effective corporate tax rates “have a large adverse impact on aggregate investment, FDI (foreign direct investment), and entrepreneurial activity,” and “a 10 percentage point increase in the 1st year effective corporate tax rate reduces the aggregate investment to GDP ratio by about 2 percentage (points) and the official entry rate (of new businesses) by 1.4 percentage points.”

Chris Edwards of the Cato Institute recently reported that Canada has a 15 percent corporate tax rate, down from 38 percent in the 1980s. Yet revenue from corporate taxes are now a higher percentage of GDP. Something similar happened in the United Kingdom.

Michael Barone of the Wall Street Journal reported in January that between 2010 and 2016, “Fully 40 percent of the nation’s population growth occurred in the nine states with no income taxes” (these states only make up 21 percent of the total U.S. population). And this “was fueled largely by net domestic migration.”

In the Wall Street Journal last December, Edward Lazear, Stanford professor and former chair of the President’s Council of Economic Advisers, wrote that when it comes to per-capita gross domestic product, “There is no other G7 country that comes close to the U.S. Most are about 70 percent as rich on a per-capita basis.” One of the reasons is the U.S. remains a low-tax country compared with other G-7 countries. “The OECD (Organization for Economic Cooperation and Development) reports that the ratio of total taxes to GDP is just over 25 percent in the U.S.”

In an online article by economist James Gwartney, Nobel Prize-winning economist Edward Prescott found "differences in tax rates between France and the United States explained nearly all of the 30 percent shortfall of labor inputs in France compared with the United States."

Gwartney also reports the tax cuts of the 1920s and 1960s sparked strong economic growth and the 1981 tax cut led to more revenue collected from those in the upper tax brackets.

Brian Riedl in the National Review recently reported the economy expanded 36 percent from 1982-89 after the Reagan tax cuts, far above the 16 percent over the seven years since the end of the recession under President Barack Obama.

Never used by tax-cut advocates or supply-side economists, the term "trickle down" was simply used to ridicule the tax cutters and may go back to Will Rogers' criticism of Herbert Hoover during the Great Depression. The funny thing is that a large tax increase was passed in 1931, and during the 1932 election, Franklin Roosevelt attacked Hoover as a big spender.

Getting back to Kansas, the Wall Street Journal reported that although its economy did not perform as expected after the tax cuts, that is partly due to weakness in agriculture and energy, two important sectors of its economy. And its unemployment rate is 3.7 percent, below the national average. Hardly a nightmare, as Robinson calls it.